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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-09 FRB-01 INR-07 IO-11 NEA-10 NSAE-00 OPIC-06

SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01 PM-04 L-03

ACDA-10 PA-02 SS-15 PRS-01 USIA-15 SAJ-01 DODE-00

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R 021124Z MAR 76
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 0884

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E.O. 11652: N/A
TAGS: OECD
SUBJECT: PENSION SCHEME

REF: STATE 45227

1. SUMMARY: MARCH 26 COUNCIL DISCUSSION OF PENSION SCHEME REVEALED CONTINUED STALEMATE OVER REVALIDATION ISSUE. ONLY BELGIUM AND GERMANY SUPPORTED MINORITY POSITION, WHILE FRANCE, SUPPORTED BY ITALY AND A NUMBER OF SMALLER DELS, URGED SPEEDY SOLUTION BASED ON ORIGINAL FORMULA. US REP MADE STATEMENT PER REFTEL. SEC-GEN WILL REVERT TO ISSUE AT LATER DATE WITH PROCEDURAL PROPOSAL. END SUMMARY.

2. SECRETARIAT ARGUED THAT IT WAS LEGALLY, MORALLY AND PRACTICALLY IMPOSSIBLE TO ALTER RETROACTIVELY METHOD OF CALCULATING REVALIDATION COSTS WHICH HAS BEEN IN OPERATION IN OECD SINCE JULY 1, 1974. SECRETARIAT POINTED OUT THAT THERE IS NO PROBLEM OF EQUITY AT OECD, THAT IT WOULD BE UNPRECEDENTED AND IMPRUDENT TO INTRODUCE CONCEPT OF EXCHANGE GUARANTEE AND THAT
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OECD FINANCIAL EXPERTS HAD CONCLUDED THAT MINORITY

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PROPOSAL COULD NOT TECHNICALLY BE PUT INTO OPERATION. STAFF MORALE, PLUS FACT THAT THERE IS CLEARLY NO UNANIMOUS AGREEMENT TO MODIFY 1974 COUNCIL DECISION, CALLED URGENTLY FOR SOLUTION ON BASIS OF ORIGINAL FORMULA.

3. IN ENSUING DISCUSSION ONLY BELGIUM AND GERMANY SUPPORTED MINORITY POSITION. AMB TURNER MADE STATEMENT CONTAINED IN REFTEL. ITALY, AUSTRALIA AND A NUMBER OF SMALLER DELS SUPPORTED EMPHATIC FRENCH STATEMENT OPPOSING MINORITY POSITION ON GROUNDS THAT:

A) IT REPRESENTS NOT "INTERPRETATION" BUT "MODIFICATION" OF PARA. 27 WHICH WOULD CONTRADICT 1974 COUNCIL DECISION AND REQUIRE NEW DECISION ON BASIS OF UNANIMITY;

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B) SUCH CONCEPTS AS "INVESTMENT VALUE" AND

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"REAL TERMS" CONTAINED IN MINORITY PROPOSAL WERE NOT ONLY TECHNICALLY DIFFICULT (EVEN IMF HAD NOT YET MASTERED THEM) BUT ALSO INTRODUCED EXCHANGE GUARANTEE WHICH MIGHT WORK TO ADVANTAGE OF GOVERNMENTS IN THIS INSTANCE BUT WOULD SET VERY DANGEROUS PRECEDENT.

FRENCH DEL SAID HIS GOVERNMENT FULLY ACCEPTS "EQUILIBRIUM" BETWEEN COSTS TO GOVERNMENTS AND EMPLOYEES IMPLIED BY ORIGINAL FORMULA AND WOULD NOT WISH TO SEE IT MODIFIED.

4. JAPANESE POSITION WAS THAT SINCE THERE WAS NO UNANIMOUS VIEW TO CHANGE 1974 COUNCIL DECISION VALIDATION FORMULA SHOULD REMAIN AS DEFINED IN SECGEN'S POSITION. UK DEL INDICATED THAT WHILE HIS GOVERNMENT WOULD PREFER REVALIDATION FORMULA WHICH WOULD REQUIRE HIGHER PAYMENT BY EMPLOYEES HMG FELT IT WAS TIME TO
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SETTLE ISSUE AND WAS PREPARED TO ACCEPT MAJORITY FORMULATION. AUSTRALIAN REP, A FINANCIAL EXPERT, EXPRESSED COMPLETE BAFFLEMENT AT RANGE OF TERMS USED IN MINORITY POSITION ("TRUE VALUE," "INTRINSIC VALUE", "EFFECT OF MONETARY CHANGES."), DOUBTED THAT THEY COULD BE CALCULATED EVEN IF CLARIFIED, AND SAW NO WAY OF CLASSIFYING SUCH A FORMULA AS AN "INTERPRETATION" OF OECD COUNCIL DECISION.

5. ONLY PROCEDURAL SUGGESTIONS MADE WERE US RECOMMENDATION THAT ISSUE BE REMANDED TO CCG AND BELGIAN PROPOSAL THAT EXPERTS' GROUP COMPOSED OF INTERESTED DELS AND SECRETARIAT BE FORMED TO EXPLORE FEASIBILITY OF "REAL VALUE" CONCEPT. NEITHER OF THESE PROPOSALS OBTAINED ANY SUPPORT.

6. SUMMING UP, VAN LENNEP REITERATED HIS STRONG CONCERN OVER DELAY IN RESOLVING ISSUE AND SAID HE WISHED TO "REFLECT" ON STATEMENTS BY DELS, BEFORE MAKING PROCEDURAL PROPOSALS AIMED AT REACHING AN EARLY SOLUTION.
TURNER

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